

UTILITIES SERVICE BOARD MEETING
May 15, 2006

UTILITIES SERVICE BOARD MEETINGS ARE RECORDED ELECTRONICALLY OR STENOGRAPHICALLY AND ARE AVAILABLE DURING REGULAR BUSINESS HOURS IN THE OFFICE OF THE DIRECTOR OF UTILITIES.

Board President Swafford called the regular meeting of the Utilities Service Board to order at 5:01 p.m. The meeting was held in Conference Room 100B at the Indiana University Research Park at 501 North Morton Street in Bloomington, Indiana.

Board members present: Tom Swafford, Sam Vaught, John Whitehart, Susan Sandberg and Tim Mayer. Staff members present: Patrick Murphy, John Langley, Vickie Renfrow, Tom Staley, Jane Fleig, Michael Horstman, Mike Trexler, Nathan Schulte, Mike Hicks and Mike Bengtson. Others present: Michael Clayter representing Crowe Chizek, Mark Menefee representing Indiana University, Sarah Morin representing the Herald Times, Ben Beard representing Gentry Estates, Margaret Fette representing the Libertarian Party and Dennis Ward representing Bowen Engineering.

MINUTES

BOARD MEMBER VAUGHT MOVED AND BOARD MEMBER SANDBERG SECONDED THE MOTION TO APPROVE THE MINUTES OF THE MAY 1, 2006 MEETING. MOTION CARRIED. 4 AYES, 3 MEMBERS ABSENT, (ROBERTS, HENKE AND EHMAN).

Board member Roberts arrived at this time.

CLAIMS

BOARDMEMBER VAUGHT MOVED AND BOARDMEMBER WHITEHART SECONDED THE MOTION TO APPROVE THE CLAIMS AS FOLLOWS:

CLAIMS 0690624 THROUGH 0690682 INCLUDING \$87,151.21 FROM THE WATER OPERATIONS & MAINTENANCE FUND FOR A TOTAL OF \$87,151.21 FROM THE WATER UTILITY; CLAIMS 0630399 THROUGH 0630430 INCLUDING \$123,901.87 FROM THE WASTEWATER OPERATIONS & MAINTENANCE FUND FOR A TOTAL OF \$123,901.87 FROM THE WASTEWATER UTILITY; AND CLAIM 0670030 FOR A TOTAL OF \$514.13 FROM THE WASTEWATER/STORMWATER UTILITY. TOTAL CLAIMS APPROVED – \$211,567.21.

Board members Henke and Ehman arrived at this time.

Board member Swafford asked about claim number 0630428 for Grimes Plumbing for repairs at the Village Pantry at Third Street and Jordan Avenue. Utilities Director Murphy explained that there had been a sizable leak on that corner. When the T & D crew was repairing it they struck a line. The insurance company denied the claim so CUD paid it.

Board member Ehman asked about claim number 0690642 for rent for the Pac Vans. He wanted to know if the fire related expenses are still being tracked. Utilities Director Murphy replied that they are. Mr. Ehman then asked about claim number 0690650 which is for expenses relating to the Phillip's law suit. He wanted to know how that is progressing. Attorney Renfrow from the City of Bloomington Legal Department said that there had be no action on that law suit since it had been filed.

MOTION CARRIED. 7 AYES.

WIRE TRANSFERS AND FEES FOR THE MONTH OF MARCH 2006:

BOARD MEMBER VAUGHT MOVED AND BOARD MEMBER HENKE SECONDED THE MOTION TO APPROVE THE WIRE TRANSFERS AND FEES FOR THE MONTH OF MARCH 2006 IN THE AMOUNT OF \$781,847.04.

MOTION CARRIED. 7 AYES.

APPROVAL OF BLUCHER POOLE PHASE II PROJECT FINANACING AND CONTRACT AWARD:

Attorney Renfrow with the City of Bloomington Legal Department explained that the USB is being asked to approve a resolution awarding the contract for Blucher Poole Phase II improvements. CUD took bids on those in late March and Black & Veatch has evaluated those bids. They have determined that Bowen Engineering is the low bidder and is a responsible and responsive bidder. Ms. Renfrow reminded the USB that in 2004 bonds had been sold for Phase I of this project, which has now been wrapped up. About \$3.7 million of that bond is available for use in the second phase of the improvements. An additional \$3.1 million is included in the bond authorization done at the end of 2005. That bond authorization was for several different projects all of which have to do with the Agreed order that has been signed with IDEM that involved improvements in the collection and treatment systems. This included the funding to pay for several storm water projects. CUD closed on these bonds earlier this month. They included the Waterworks bonds and it was all sold through the Indiana Bond Bank. That means that there's over 5 million dollars in funds from the Indiana Bond Bank for projects that won't be starting for some time. Those funds get invested until they are needed and interest is earned on them. Next month CUD will be closing on the SRF funds to get in on low interest rates before they go up with the adjustment on July 1. Ms Renfrow said that the reason this matter is being brought to the USB at this time is because there's a 90 day time period in which the bids can be awarded. This will give time for the contract to be finalized and approved by IDEM.

According to Ms. Renfrow there is a problem in that the bids came in higher than the estimates which were from December 2003. The bids are about 10% higher than projected. That means that there is \$550,000 more that needs to be covered without impacting the funds available for other projects. Most of the increase in price is explained by increases in materials. Crowe Chizek did an analysis to figure out where the funds could come from to cover the \$550,000. They suggested that the interest on the bonds that were closed on earlier this month could be used to cover this expense. There would be about \$363,000 available to. It would mean that sewage works interest would be used to pay for a sewage works project. The bond ordinance makes it clear that that would be acceptable.

The second source of revenue suggested by Crowe Chizek is the cash reserve account that is kept to cover debt service payment. When a bond is closed on there is a requirement to pledge in cash or buy a surety bond for a certain amount of funds in case a problem should arise and the debt payment couldn't be covered. For the bonds closed on in 2000, 2004 and the one earlier this month CUD has created cash funds for surety. Altogether they total about \$2.1 million. The reason for the cash rather than surety bonds is because the market isn't good for CUD because of the audit problems. Once the audit problem is cleared up it will be possible to go to surety bond vendors and acquire the bonds for about \$65,000. That would free up the cash reserves of about \$2.1 million.

The third source of funding is that the effective dates on the sewage works rates were January of this year. That means that the revenue stream has been available since then to pay those bonds. But nothing is owed yet since the SRF bonds haven't been closed on. Even when they are closed on the

state holds that money until it is needed to pay for the projects. Because there is already over \$3 million from the last bond closing for the start of the Blucher Poole project CUD probably will not be drawing that money down until the start of the next year. That means there will be a years worth of revenue for paying the bonds that won't have to be used for that. That would account for about another \$750,000.

There are several different sources available to cover the extra \$550,000 that was bid. Ms. Renfrow said that with these different options it is possible to go ahead with awarding the contract for this bid.

Board member Henke asked Ms. Renfrow if an action was required of the USB regarding this funding. She replied that an action could be taken but that it was really just necessary for the board to be aware of the different options. She suggested that it might be best to wait to see how things develop with time. Mr. Henke asked how these sources of money are reflected in the budget. Ms. Renfrow said that the budget is prepared so far in advance that it probably does not reflect these situations. Budget analyst Trexler said that the 2006 budget did not include the new revenue or the new debt because they couldn't be sure of it at that time. In preparing the 2007 budget the 2006 column has been revised to reflect the extra revenue.

Board President Swafford mentioned that the Finance Subcommittee had met to discuss these funding options. He asked Board member Vaught to report on that meeting.

Mr. Vaught said that the Finance Subcommittee had expressed many of the same concerns. He said the USB needs to be aware that this method of financing is out of the ordinary. Money from one bond is being used to go to another one. There isn't actually anything wrong with that but the board needs to be very aware of the tight financing for a number of projects and some changes may have to be made.

Ms. Renfrow said that as the other projects being financed by these bonds come up for bidding the USB will need to look closely at how the financing fits into the bond structure.

Board member Henke asked if the money that will be released when a clean audit has been achieved will be cash on hand for reserved funding. Ms. Renfrow agreed that that would be the case.

Ms. Renfrow suggested that the USB just vote on the resolution to award the bid and let staff make the decision about where the amounts will come from with the advice of the Finance Committee.

BOARD MEMBER SANDBERG MOVED AND BOARD MEMBER ROBERTS SECONDED THE MOTION TO APPROVE THE BLUCHER POOLE PHASE II PROJECT FINANCING AND CONTRACT AWARD.

Board member Ehman asked if the staff has confidence in Bowen Engineering. Assistant Director of Engineering Bengtson said that he has complete confidence in Bowen. They have completed projects at Monroe Water Treatment Plant to his satisfaction. They have approached projects as a partner rather than an adversary.

Ms. Renfrow pointed out that the two lowest bidders were Bowen and Reynolds both of which are excellent companies to work with and the difference between their bids was less than one percent.

MOTION CARRIED. 7 AYES.

Utilities Director Murphy thanked the board for their confidence in the staff.
APPROVAL OF SCOPE OF SERVICES CONTRACT WITH CROWE CHIZEK

Utilities Director Murphy explained that this is an addendum to the original contract asking Crowe Chizek to do some additional work that would be more along the lines of accounting. There was a "plug" made in the books in 2004 that is a problem for the State Board of Accounts. It needs to be tracked down to figure out why it was made and what was used to make it. It's an additional contract for services not to exceed \$12,500.

Board President Swafford pointed out that this matter had been previously discussed by the USB and in a Finance Subcommittee meeting. There was agreement that some additional services should be requested from Crowe Chizek.

BOARD MEMBER HENKE MOVED AND BOARD MEMBER EHMAN SECONDED THE MOTION TO APPROVE THE SCOPE OF SERVICES CONTRACT WITH CROWE CHIZEK. MOTION CARRIED. 7 AYES.

OLD BUSINESS:

Utilities Director Murphy informed the board that the City Administration has made a point of trying to assist people with various kinds of disabilities become a part of the City's work force. Options for Better Living has recognized these efforts with an award. Superintendent of Operation Staley attended the award banquet and accepted the award on behalf of the Utilities Department. Mr. Murphy told the USB that Mr. Staley has been especially helpful with these efforts.

Attorney Renfrow reminded the board that Andrew Franklin had come before the USB about some property he had purchased that was adjacent to property owned by CUD. He asked that some adjustments be made in the property lines. The issue was sent to the Property & Planning Subcommittee who discussed it but felt they needed more information so a second meeting was planned. Ms. Renfrow said that scheduling the second meeting has been rather tricky and she will be gone for about a month. She contacted Mr. Franklin to see if it would be alright to wait until July to schedule the meeting. He was happy to comply.

NEW BUSINESS:

No new business was presented.

SUBCOMMITTEE REPORTS:

Board President Swafford mentioned that the Finance Subcommittee had met to discuss the funding options for Blucher Poole phase II.

Utilities Director Murphy informed the USB that an Administrative Subcommittee will be scheduled in the near future.

STAFF REPORTS:

There were no staff reports.

PETITIONS AND COMMUNICATIONS:

Board member Henke said that he had recently gotten a call from a rate payer who had had a number of liens filed against his properties because of tenants who had failed to pay their bills. He asked to have this situation explained to him.

Utilities Director Murphy explained that the State Board of Accounts had an audit finding against CUD because no liens had been filed so that situation is being corrected. Ms. Renfrow added that what had actually been sent out was a letter informing the rate payers that if the account wasn't paid a lien would be filed.

ADJOURNMENT:

The meeting was adjourned at 6:00 p.m.

L. Thomas Swafford, President